

REQUEST FOR APPROVAL OF COMMUNITIZATION AGREEMENT

Devon Energy Corporation
7525 Hwy 2 NW
P.O. Box 1644
Havre, MT 59501

Township 27 North, Range 19 East
Section 25: SE $\frac{1}{4}$
Section 36: NE $\frac{1}{4}$
Township 27 North, Range 20 East
Section 30: Lots 3 & 4 (W $\frac{1}{2}$ SW $\frac{1}{4}$)
374 Acres
Blaine County

State Tract(s):
Township 27 North, Range 19 East
Section 25: SE $\frac{1}{4}$
Section 36: NE $\frac{1}{4}$
320 Acres
Trust: Common Schools

Devon Energy Production Co. has filed a request with the Department for the approval of a communitization agreement to communitize State owned acreage to permit development in conformity with regulations of the Montana Board of Oil and Gas Conservation Commission (BOGC).

A communitization agreement brings together small tracts sufficient for the granting of a well permit under applicable spacing rules. Communitization agreements are not formed until after a well has been drilled and proven to be productive. The communitization agreement provides for distribution of royalties and must be approved and signed by the Department to be effective. Communitization is important in the prevention of drilling of unnecessary and uneconomic wells which would result in physical and economic waste.

The State 25-16-27-19 gas well, was spudded in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 25 of Township 27 North, Range 19 East in July of 2007. This spacing unit has a total of 374.00 acres. The State owns a total of 320 acres of the 374 mineral acres in the spacing unit that will be communitized. All the mineral owners in the spacing unit will share in the royalty from this well. The Communitization Agreement includes only the Eagle Sand formation in the SE $\frac{1}{4}$ of Section 25, the NE $\frac{1}{4}$ of Section 36, and the W $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 20.

The State has 2 tracts which comprise a total of 95.6% of the communitized area. The communitized production will be allocated to each tract based upon the relationship of its acreage to the total acreage within the communitized area. The State will consequently receive 5.3% of all gas production (12.5% royalty rate x 42.8% tract participation), for Tract 1, and 5.3% of all gas production (12.5% royalty rate x 42.8% tract participation), for Tract 2.

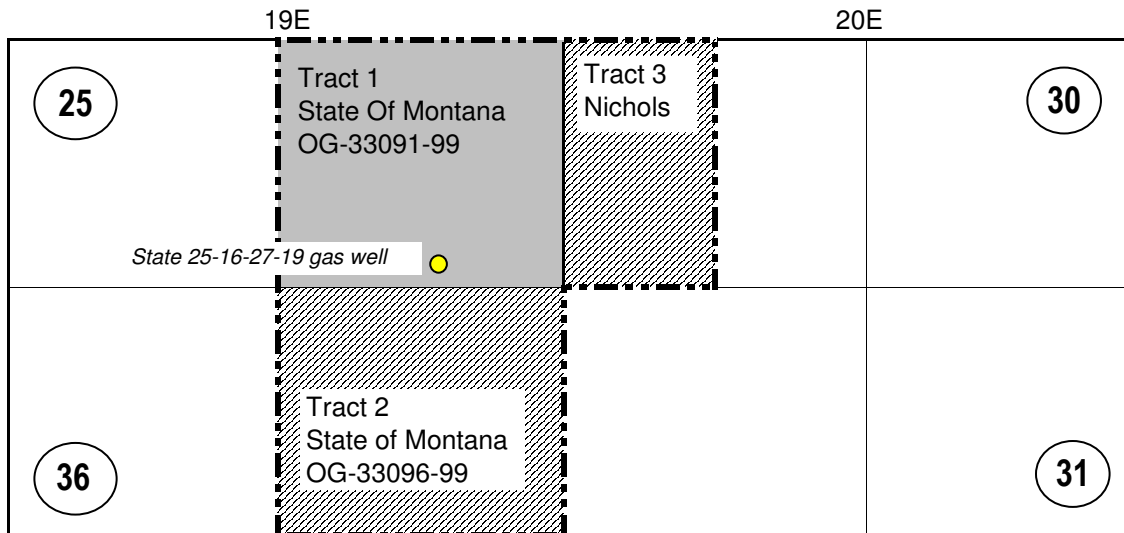
The Communitization Agreement will allow the State to receive its proper share of production from the spacing unit. Therefore, the Director recommends approval of this Communitization Agreement.

Township 27 North Range 19 East

Section 25 (SE1/4) & Section 36 (NE1/4)

Township 27 North Range 20 East

Section 30 (Lots 3 & 4)



Proposed Communitized Area

Recapitulation

Tract No.	Type	Acres	Tract Participation	Royalty %	Owners Interest Decimal
1	State of Montana OG-33091-99	160.00	42.78%	12.50%	0.053476
2	State of Montana OG-33096-99	160.00	42.78%	12.50%	0.053476
3	Nichols	54.00	14.44%	12.50%	0.018048
Total		374.00	100.00%		0.125000

* The Operator of the Communitized Area is Devon Energy Production Company